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UNITED STATES OF AMERICA
BEFORE THE NATIONAL CREDIT UNION ADMINISTRATION

In the Matter of

CHARTER ADVISORY GROUP

Docket BD 5-11

Request for Waiver

Decision and Order

This matter comes before the National Credit Union Administration Board (Board) as a formal request, under 12 CFR 704.1, that the Board waive the application of 12 CFR 704.14(a)(5) to permit the service of an individual as chairman of the board of directors of a corporate credit union while simultaneously serving as a director of a credit union trade association. For the reasons discussed herein, the Board has determined to deny the waiver request.

Background. NCUA's corporate rule specifies that the chair of the board of directors of a corporate credit union may not serve simultaneously as an officer, director, or employee of a credit union trade association. 12 CFR 704.14(a)(5). A group formed to charter a new corporate credit union to merge with Members United Bridge Corporate Federal Credit Union has requested that the Board waive the application of this rule in the case of XXXXX, whom the group proposed would serve as the initial chairman of a new corporate credit union. XXXXX also currently serves as a director of the XXXXX Credit Union League.

Analysis. The underlying purpose of the interlocks prohibition incorporated into this rule is to assure that individuals tasked with overseeing the business of a corporate are independent of any influence that might be exerted by trade associations. The Board continues to believe that protection against that type of influence is necessary and useful. As the Board noted in the preamble to the proposed rule in which this limitation was first discussed, its concern was

that the ties between corporate credit unions and trade associations may threaten the safety and soundness of the entire credit union system. Those ties have, in the past, led to corporate credit union resources being used to fund trade association expenses, questionable or preferential loans to trade associations and affiliates, and other transactions with trade associations that were not in the corporate credit union's best interest.

59 Fed. Reg. 48832, 48833 (September 28, 1994). Despite the passage of time since the rule was first adopted, it remains true that, as much as a new corporate needs

experienced, capable management, it also needs to avoid even the appearance of impropriety. Given recent history, corporates must be zealous in establishing that their management is not subject to undue influence, whether from a credit union league or any other organization. The proposed new corporate would be headquartered in Illinois. XXXXX's service as a board member of the XXXXX Credit Union League, which XXXXX is apparently unwilling to give up, even temporarily, suggests an issue of possibly divided loyalty.

The proponents of this request have not sufficiently established why this waiver is necessary. The former Members United Corporate FCU had over two thousand members; the proponents of the new institution envision a similarly expansive membership base. The Board is convinced that numerous other capable, dynamic leaders from the industry can be found to shepherd the new institution through from initial start-up to a viable, well capitalized corporate credit union. As evidenced by the strong support shown through the Member Advisory Council set up to oversee the transition from bridge corporate to a viable, independent institution, there are a large number of institutions and credit union leaders who have shown a strong interest in restoring strength and viability to the industry. The Board is confident that individuals may be drawn from that universe who can capably serve this new institution, without any hint of conflicting loyalty or undue influence.

Finally, the Board notes that the corporate credit union sector has just come through the most significant crisis in its history. Failures of the country's largest corporates during 2009 and 2010, including Members United Corporate Federal Credit Union, caused billions in losses and very nearly caused the ruin of the entire credit union industry. Against that backdrop, the Board is simply not persuaded that waiver of a fundamental provision in its corporate rule, designed to preserve and protect the independence of the industry, is warranted at this time.

Order

For the reasons set forth above, it is ORDERED as follows:

The Board denies the request by Charter Advisory Group for a waiver of the application of 12 CFR 704.14(a)(5).

The Board's decision constitutes a final agency determination. Provisions governing judicial review of agency actions are contained in Chapter 7, Title 5, United States Code.

So **ORDERED** this 17th day of June, 2011, by the National Credit Union Administration Board.

____/S/_____
Mary Rupp
Secretary of the Board